Ronald Vincent, CPA
Thomas Rose, CPA

VINCENT+ROSE INC.
CERTIFIED
PUBLIC ACCOUNTANTS

3120 Telegraph Avenue, Suite 8
Berkeley, California 94705
(415) 540-6714

December 29, 1989

The Board of Directors
Point Foundation
Sausalito, California

People:

We have been preparing financial statements, non-profit filing, and tax returns for Point Foundation since the year ended December 31, 1985. We have watched the deficit fund balance and deferred subscription liability grow. Here is the history:

Year End	Deficit Fund Balance	Deferred Subscriptions	Deferred Subscription in Excess of Deficit
1985	$ 187,654	$ 305,264	$ 117,610
1986	268,059	275,170	7,111
1987	246,136	377,573	131,437
1988	327,237	398,242	71,005

We are concerned about the size of the deficit, and that it has continued to grow. Operations continue to be financed by cash received from subscriptions for future publications, and the cash to produce those future publications will, no doubt, only be available if more future subscriptions are sold.

Although this situation has existed for a good many years and the Foundation may continue to operate successfully in the future by financing it's operations through advance subscriptions; we suggest the Board consider establishing a plan to reduce the deficit and focus on publishing operations. If each of the Foundation's activities is at least self-supporting the deficit will shrink and the Foundation's financial strength will be improved.

We have considered adding a paragraph to our report questioning the ability of the Foundation to continue but have decided not to for the Year Ended 12/31/88 for the following reasons:

1) The Foundation is still here.
2) This situation has existed for a long time and could last much longer.
3) The November 30, 1989 internal financial statements show an excess of revenue over expenditures for the eleven month period. However,this is a questionable excess because no adjustment has been made to the deferred subscriptions liability account and no depreciation has been recorded; so the Foundation may or may not have an excess for this period.

This going concern questions is one we will need to face each year so long as the deficit and/or current excesses of expenditures over revenue exist.

We need to know your thinking on this matter and to know any plans you have to reduce the deficit as part of our analysis for the December 31, 1989 financial statements.

Apart from the accounting considerations, we are concerned for the financial health of the Foundation and want it to flourish.

Please respond as soon as possible. If we can be of assistance in this matter give me a call.

Very Truly Yours,

Tom Rose

Thomas C Rose, CPA
Vincent + Rose, Inc.
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